GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2135
ANSWERED ON:30.11.2007
COMMERCIAL BANKING NETWORK IN RURAL AREAS
Siddeswara Shri Gowdar Mallikarjunappa

Will the Minister of FINANCE be pleased to state:

(a) whether Commercial Banking Network in rural areas is handicapped as most of the bank branches are one man branch or lack capacity to undertake development of banking function;

(b) if so, the details thereof; and

(c) the action taken by the Government thereon?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): No, Sir. Banks deploy appropriate manpower on the basis of business potential at the particular centres for financial services and generally deploy less manpower in their rural branches due to low volume of business in such areas.As on 31.3.2006, there were 30516 offices of scheduled commercial banks in rural areas having more than one person and 94 one person offices. In order to enhance banking functions in the rural areas, the Reserve Bank of India (RBI) has issued a circular dated January 25, 2006 on `Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents`. A copy of the circular is available on their website www.rbi.org.in. Many banks have employed Business Correspondents/Business Facilitators to extend their outreach.With the objective of extending savings and loan facilities to the underprivileged and unbanked population, the RBI has advised banks to use the services of non- governmental organizations (NGOs)/self help groups (SHGs), micro finance institutions (MFIs) and other civil society organizations (CSOs) as intermediaries in providing financial and banking services. These intermediaries could act as business facilitators/correspondents. The arrangements under the Business Facilitators/Correspondents are expected to substantially fill the demand supply gap in composite financial services in rural areas and cover a significant share of the microfinance portfolios including savings over a period of time.In order to bring financially excluded population within the formal banking system. Government has taken a number of steps which, inter-alia, include: opening of`no frills` account alongwith simplified procedure and limited overdraft facility without any collateral; one time settlement scheme for small borrowers; issue of General Credit Cards to eligible beneficiaries without security; scaling up IT initiatives etc.